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## **The Economic Impacts of the 2020 Census and Business Uses of Federal Data**

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### Introduction

Chairman Lee, Vice-Chair Maloney, and distinguished members of the Joint Economic Committee, I appreciate your invitation to speak today about the economic impacts of the 2020 Census and the business uses of federal data. My observations are based on my study of the uses of federal statistics as well as on 20 years' experience running a regional economic development consulting practice.

The widespread use of data derived from the decennial census by businesses and nonprofit organizations, workers and students, and federal, state and local governments has a substantial positive effect on the vitality of the U.S. economy and the nation's 6 million private firms. To put this number in perspective, 5.3 million U.S. firms (89 percent) have less than 20 employees. At the same time, the 20,000 firms with 500 or more employees account for nearly half of private employment. In other words, the availability of census-derived data has a substantial impact on the profitability of millions of very small firms and of the very large firms that collectively employ tens of millions of workers.

### Census-derived Datasets

Datasets from the decennial census are rarely directly used in economic decisions—decennial data are only gathered once a decade and for a handful of variables, such as gender, age, race, and Hispanic origin. Rather, the decennial census is essential for effective economic decision-

making because it provides a strong foundation for the development of multiple federal datasets designed to guide public and private decision-making.

We can think of these census-derived datasets in three groups:

- The first includes annual Census Bureau *Population Estimates* (PE) and *Housing Estimates* of the same data variables collected in the decennial census (such as age, sex, race).
- The second group includes the household surveys carried out by the Census Bureau for itself and the Bureau of Labor Statistics (BLS), including the *American Community Survey* (ACS), the *Current Population Survey* (CPS), and the *Consumer Expenditure Survey* (CEX). The ACS, CPS, and CEX gathers data on non-decennial variables critical to economic decision-making, such income, occupation, education, commuting patterns, and housing conditions.<sup>1</sup>
- The third group of census-derived datasets are geographic classifications. After each census, the Census Bureau provides an *Urban-Rural Classification* (URC) of each census tract, as determined by decennial census population density. Using the URC, PE, and ACS, the Office of Management and Budget delineates the nation’s *Core-Based Statistical Areas* (CBSAs), specifically metropolitan and micropolitan areas, that become the basis for regional economic analysis and planning.<sup>2,3</sup>

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<sup>1</sup> The ACS, CPS, and CEX rely on the decennial census as the frame from which to design and draw the sample and weight each household’s response in relation to the overall number of people of similar age, sex, race, and Hispanic origin. See Andrew Reamer, [Census-derived Datasets Used to Distribute Federal Funds](#), 2018, p. 7.

<sup>2</sup> Census-derived datasets in each grouping rely on datasets in the other groupings. So, for instance: Population Estimates uses the ACS to measure the international in-migration component of population change; CBSA delineations are determined on the basis of Population Estimates and intercounty commuting patterns from the ACS; and the household surveys use Population Estimates to calculate population totals by characteristic—such as the number of people in poverty or with a bachelor’s degree—and to provide data by CBSAs.

<sup>3</sup> The ACS is the workhouse of this system—almost every census-derived dataset relies on it in some way. The ACS is the current incarnation of Representative James Madison’s amendment to the Census Act of 1790 that the First Census should be expanded beyond “bare enumeration” for the purposes of apportionment to collect data on demographic characteristics so that Congress could “adapt the public measures to the particular circumstances of the community.” ([Article 1, Section 2, Clause 3: James Madison, Census Bill, House of Representatives](#), *The Founders Constitution*, University of Chicago.)

## Business Uses and Economic Impacts of Census-derived Data

The vitality of the nation's economy and the 6 million businesses inside that economy are greatly affected by decisions made using census-derived data—by businesses themselves, of course, and as well as by the federal government, state and local governments, workers, and students.

Businesses. Firms depend on census-derived data to determine if and where to open a business establishment, how large to make that establishment, and what goods and services to provide.

- In choosing where to locate their operations, businesses use site selection consultants and software that rely on census-derived data.<sup>4</sup>
- To know the number and characteristics of prospective customers in a community, businesses retain census-guided data intermediaries such as Claritas, Esri, PlacelQ, and Caliper.<sup>5</sup>
- To ensure they have good access to the right kinds of workers, businesses use census-derived data to understand the supply and characteristics of an economic area's workforce (such as educational attainment), housing conditions and costs, and where people live in relation to where a business might locate.<sup>6</sup>
- To understand what goods and services to provide, firms employ market research companies that analyze census-derived data.<sup>7</sup>
- To grasp the extent to which they are penetrating the marketplace, businesses hire polling firms (such as Nielsen) that produce estimates on the basis of census-derived data.<sup>8</sup>

Federal Government. Federal uses of census-derived data affect the U.S. economy and businesses in four major ways.

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<sup>4</sup> See [Site Selection Group](#), for instance.

<sup>5</sup> See [Claritas Prizm Premier](#), for instance.

<sup>6</sup> See the Census Bureau's [OnTheMap](#), for instance.

<sup>7</sup> See Upfront Analytics Team, [Why Census Data is Useful for Market Research](#), May 14, 2015.

<sup>8</sup> See [Nielsen Topline Ratings for Subscribing Radio Stations](#), for instance.

- First, census and census-derived data determine congressional apportionment and redistricting.<sup>9</sup> The results strongly influence the nature of the federal laws that affect business operations.
- Second, census-derived economic indicators guide federal macroeconomic and other policies that determine the economic conditions in which businesses operate. Examples of such indicators include the Consumer Price Index (CPI), Gross Domestic Product (GDP), Personal Income, per capita income, labor force and unemployment measures, and poverty rates.<sup>10</sup>
- Third, by law and regulation, the federal government uses census-derived data to guide the fair geographic allocation of over \$900 billion annually across 325 federal spending programs. Census-derived data are used to determine geographic eligibility (e.g., medically underserved areas, Opportunity Zones); see that each state and area gets its correct share of congressional appropriations (e.g., for CHIP, mass transit); and indicate which communities (e.g., those with high unemployment) receive preferences in those allocations. Census-guided allocations strongly influence the economic conditions under which businesses operate.<sup>11</sup>
- Fourth, multiple federal agencies (e.g., Federal Emergency Management Agency, Department of Homeland Security, and Treasury Department) and government-sponsored enterprises (e.g., Fannie Mae), depend on census-derived data to shape policies, programs, and plans that affect businesses directly (e.g., access to financial capital) and indirectly (e.g., employee access to home mortgages).<sup>12</sup>

State and Local Governments. State and local governments use census-derived data to determine how best to deliver services, for example, where to place schools, highways, and health clinics; how to design police patrols; and how to respond to natural disasters and other

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<sup>9</sup> See [Public Mapping Project](#) and [Azavea Redistricting](#), for instance.

<sup>10</sup> See Andrew Reamer, [Census-derived Datasets Used to Distribute Federal Funds](#), 2018.

<sup>11</sup> See [Counting for Dollars 2020](#), George Washington Institute of Public Policy, George Washington University.

<sup>12</sup> See [Federal Financial Institutions Examination Council](#) and the [House Price Index](#), Federal Housing Finance Agency, for instance.

emergencies. These various decisions affect the economic conditions under which businesses operate—such as transportation infrastructure, labor markets, and housing markets.

State and local governments also use census-derived data to draw legislative boundaries, which in turn influence the nature of laws that affect businesses.<sup>13</sup>

As state governments are required to balance their budgets, they rely on census-derived data (largely from the Bureau of Economic Analysis [BEA]) to project revenues and expenditures.<sup>14</sup> In addition, about half of state governments use census-derived data to adhere to tax and expenditure limitations (TEs). Census-derived datasets used for TEs include population growth, per capita income growth, and inflation growth.<sup>15</sup> Also, state agencies use census-derived data to direct federally funded subgrants (e.g., Title I, WIC, WIOA training programs, CDBG non-entitlement) to counties, cities, school districts, and workforce investment areas.<sup>16</sup> Each of these decisions affect business operations.

Labor Force. Finally, students and workers use census-derived data to make personal decisions that greatly affect labor availability for businesses. Students choose majors and careers on the basis of census-derived data.<sup>17</sup> Labor force participants use the data to determine where to look for a job, in which neighborhood to live, and which type of postsecondary credential to pursue, such as an industry-recognized certification or community college certificate.<sup>18</sup>

## Conclusion

Given the ubiquitous use of census-derived data for decision-making with economic consequences, it is clear that the qualities of those decisions very much depend on the accuracy of the 2020 Census. To the extent that full and accurate responses to the 2020 Census by every

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<sup>13</sup> See [Esri Redistricting](#), for instance.

<sup>14</sup> See Andrew Reamer, [2020 Census: How the Count Affects State Budgets](#), presentation to National Association of State Budget Officers, July 23, 2018.

<sup>15</sup> See [State Tax and Expenditure Limits—2010](#), National Council of State Legislatures, 2012.

<sup>16</sup> See Congressional Research Service reports [R44461](#), [R43520](#), and [R44252](#).

<sup>17</sup> See [Employment Projections Methodology](#), Bureau of Labor Statistics.

<sup>18</sup> See [Postsecondary Employment Outcomes](#) (PSEO), Census Bureau. PSEO data are now available for Texas, Colorado, Michigan, and Wisconsin. The Census Bureau indicates that in the coming year, it expects to post employment outcomes data for Ohio, Utah, New York, Arizona, Indiana, Pennsylvania, and Virginia.

household and group quarters in the nation are not forthcoming, and to the extent that the Census Bureau erroneously enumerates households and their demographic characteristics, the American economy and its businesses will suffer.

Mr. Chairman, Madame Vice-Chair, and members of this committee, I thank you for the opportunity to speak and would be pleased to answer any questions you might have.